



VIRGINIA COMMONWEALTH UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of Virginia Commonwealth University as of and for the year ended June 30, 2015, and issued our report thereon, dated December 8, 2015. Our report, included in the University's Financial Statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.vcu.edu.

Our audit of Virginia Commonwealth University for the year ended June 30, 2015, found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and found no internal control findings requiring management's attention or instances of noncompliance in relation to this testing.

–TABLE OF CONTENTS–

| | <u>Pages</u> |
|--|--------------|
| AUDIT SUMMARY | |
| INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS | 1 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS | 2-4 |
| UNIVERSITY RESPONSE | 5-6 |
| UNIVERSITY OFFICIALS | 7 |

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Mobile Device Security

The University does not require some essential controls to protect sensitive data accessed by mobile devices. The details of these control weaknesses have been communicated to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The University should dedicate the necessary resources to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the International Organization for Standardization information security management standard 27001 – the University’s adopted information security best practice standard.

Improve Database Security

The University does not use some required and essential controls to protect sensitive data in two databases that support critical systems.

We identified three essential controls in the first database and six essential controls in the second database that do not meet the University’s information security requirements. We have communicated the details of these control weaknesses to management in two separate documents marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The University should dedicate the necessary resources to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the International Organization for Standardization information security management standard 27001 – the University’s adopted information security best practice standard.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 8, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Commonwealth University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia Commonwealth University** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 8, 2015. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled "Improve Mobile Device Security" and "Improve Database Security", which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" in the findings entitled "Improve Mobile Device Security" and "Improve Database Security."

The University's Response to Findings

We discussed this report with management at an exit conference held on December 16, 2015. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

The University has not taken adequate corrective action with respect to the previously reported finding entitled "Improve Student Health Portal Security" included within this year's finding entitled "Improve Database Security". Accordingly, we included this finding in the section entitled "Internal Control and Compliance Findings and Recommendations."

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

KKH/clj

**VCU**

January 7, 2016

Martha Mavredes, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

**Finance and Administration
Office of the Vice President**

McAdams House
914 West Franklin Street
P.O. Box 843076
Richmond, Virginia 23284-3076

804 828-6116 • Fax: 804 828-0978
TDD: 1-800-828-1120
finance.vcu.edu

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2015 audit by the Auditor of Public Accounts (APA) and discussed during the exit conference.

Virginia Commonwealth University acknowledges and concurs with the audit findings. The following contains the APA findings and management's responses to the concerns and issues raised.

Findings of the Auditor:

1. Improve Database Security

Virginia Commonwealth University (University) does not use some required and essential controls to protect sensitive data in two databases that support critical systems.

We identified three essential controls in the first database and six essential controls in the second database that do not meet the University's information security requirements. We have communicated the details of these control weaknesses to management in two separate documents marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The University should dedicate the necessary resources to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the International Organization for Standardization information security management standard 27001 – the University's adopted information security best practice standard.

VCU Response:

VCU will conduct periodic reviews of its database configurations and standard operating procedures to ensure that the requirements are adequate and meet the University's needs. Additionally, VCU will work with its vendors to ensure adequate security controls are placed on vendor supplied applications, and continue to ensure the implementation of adequate controls to strengthen sensitive systems. Corrective action plans will be completed by March 31, 2016.

Ms. Martha Mavredes, CPA
January 7, 2016
Page 2

2. Improve Mobile Device Security

Virginia Commonwealth University (University) does not require some essential controls to protect sensitive data accessed by mobile devices. The details of these control weaknesses have been communicated to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The University should dedicate the necessary resources to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the International Organization for Standardization information security management standard 27001 – the University's adopted information security best practice standard.

VCU Response:

VCU currently has policies and other administrative controls in place to help manage the risks associated with access to data using mobile devices. Further, an enterprise mobile management platform is in place and used by University owned and sometimes personal devices in major departments and high risk areas. However, with the maturation of the "Bring-Your-Own-Device" trend, many of the risks currently mitigated on University owned devices are not as well addressed on personal devices accessing University data. VCU has identified a potential solution to address the issue. A pilot project will be implemented by March 31, 2016 with the goal of extending this solution to all mobile devices that access sensitive data.

Sincerely,

A handwritten signature in dark ink, appearing to read "R.O. Bunce Jr." with a stylized flourish at the end.

Richard O. Bunce, Jr.
Interim Vice President for Finance and Budget/CFO

VIRGINIA COMMONWEALTH UNIVERSITY

Richmond, Virginia

BOARD OF VISITORS

William M. Ginther, Rector

William A. Royall, Jr., Vice Rector

Jacquelyn E. Stone, Secretary

Teresa H. Carlson
Nancy C. Everett
Thomas F. Farrell, II
Michael D. Fraizer
Robert H. Holsworth
John A. Luke, Jr.

Colette W. McEachin
Alexander B. McMurtrie, Jr.
Sudhakar V. Shenoy
John W. Snow
G. Richard Wagoner, Jr.
Steve L. Worley

UNIVERSITY OFFICIALS

Michael Rao, President

Gail Hackett, Provost and Vice President for Academic Affairs

Pamela D. Lepley, Vice President for University Relations

Jerome F. Strauss III, Interim Vice President for Health Services and Chief Executive Officer
of the VCU Health System

Marti K.S. Heil, Vice President for Development and Alumni Relations

Frank L. Macrina, Vice President for Research and Innovation

Wanda S. Mitchell, Vice President for Inclusive Excellence

Jay Bonfili, Interim Vice President of Finance and Administration

Karah Gunther, Executive Director of Government Relations